



Department of Veterans Affairs

Financial Policy

Volume IV

Revenues and Expenses

Chapter 1

Revenues and Imputed Financing Sources

Approved:

Jon J. Rychalski
Assistant Secretary for Management
and Chief Financial Officer

0101 Overview	2
0102 Revisions	2
0103 Definitions.....	3
0104 Roles and Responsibilities.....	5
0105 Policies.....	5
010501 General Policies	5
010502 Revenue Classification.....	6
010503 Recognition of Revenue	7
010504 Recognition of Gain or Loss	8
010505 Imputed Financing Sources	8
010506 Presentation and Disclosure of Revenue and Imputed Financing Sources.....	9
0106 Authorities and References.....	10
0107 Rescissions	11
0108 Questions.....	11

0101 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies regarding VA revenues and imputed financing sources to include receipts, collections, classification, recognition, and presentation in VA's consolidated financial statements.

Key points covered in this chapter:

- VA will recognize, record and report revenues and imputed financing sources in accordance with applicable standards and control agency guidance;
- VA will classify revenue as exchange revenue or non-exchange revenue;
- VA will recognize and report imputed financing sources as other financing sources; and
- VA will disclose exchange and non-exchange revenue on the agency financial report (AFR).

0102 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Reformatted to new policy format and completed five-year update	OFP (047G)	To ensure policy is current and relevant	June 2021
0103 Definitions	Updated several definitions	OFP (047G)	Ensure consistency throughout VA Financial Policies	June 2021
0105 Policies	Updated policy sections	OFP (047G)	Enhance reader understanding	June 2021
0106 Authorities and References	Updated Authorities and References	OFP (047G)	Provide recent guidance	June 2021
Appendix A	Removed Appendix A	OFP (047G)	Information presented was not policy material	June 2021
Various	Reformatted to new policy format and completed 5-year review	OFP (047G)	Reorganized chapter layout and changed title from "Revenues" to "Revenues and Imputed Financing Sources"	March 2018

Section	Revision	Office	Reason for Change	Effective Date
0103 Definitions	Updated several definitions	OFP (047G)	Enhance reader understanding	March 2018
0104 Roles and Responsibilities	Updated roles and responsibilities	OFP (047G)	Enhance reader understanding	March 2018
0106 Authorities and References	Added additional	OFP (047G)	All referenced materials were not included in October 2011 policy	March 2018
Appendix A	Updated policy information	OFP (047G)	Enhance reader understanding	March 2018

0103 Definitions

Appropriation – Provisions of law, enacted by Congress, authorizing the federal agency to incur obligations and make payments for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary Accounts – A series of accounts that reflect the execution of budgetary authority.

Donation – A contribution to the Government (i.e., gifting of a resource to a Government entity by a non-Government entity).

Exchange Revenue – An inflow of resources that the entity has earned. Exchange revenues arise when an entity provides goods and/or services in exchange for payment. Another term for "exchange revenue" is "earned revenue."

Federal Accounting Standards Advisory Board (FASAB) – The board that promulgates Federal accounting standards after considering the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and other users of Federal financial information.

Heritage Assets – Items that would normally be classified as PP&E except that they are unique for one or more of the following reasons: 1) historical or natural significance; 2) cultural, educational, or artistic importance; or 3) significant architectural characteristics. Heritage assets consist of 1) collection type heritage assets, such as objects gathered and maintained for exhibition, and 2) non-collection-type heritage assets, such as parks, memorials, monuments, and buildings. Heritage assets are

generally expected to be preserved indefinitely. This term is specific to federal accounting.

Imputed Cost – The amount of costs incurred by a Federal entity for goods and services provided and paid for in total, or in part, by other Federal entities. Business-type activities, all personnel benefits, and all Treasury Judgement Fund settlements are required to be reported. Imputed costs must equal imputed financing sources.

Imputed Financing Sources – The amount of financing sources recorded by the receiving Federal entity to cover imputed costs. This includes financing of certain costs by one Federal entity on behalf of another Federal entity (e.g., the payment of certain employee benefit costs by OPM for employees of other Federal agencies). Imputed financing sources must equal imputed cost.

Net Book Value – The recorded cost of an asset less any recorded accumulated depreciation.

Net Cost of Operations – Gross cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of a suborganization, or entity funded by sources other than exchange revenues.

Non-Exchange Revenue – Inflows of resources that the Federal Government has not earned but received due to legislation or regulation such as, taxes, duties, fines, and penalties. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings.

Other Financing Sources – Financing sources, other than exchange and non-exchange revenues, that provide inflows of resources (e.g., transfers of assets from other Government entities, imputed financing from costs absorbed by others).

Property, Plant, and Equipment (PP&E) – Tangible assets that 1) have an estimated useful life of two or more years; 2) are not intended for sale in the ordinary course of operations; and 3) are intended to be used or available for use by the entity. PP&E includes land and land rights owned by the Federal Government acquired for or in connection with items of PP&E.

Proprietary Accounts – A series of accounts that are used to record the financial activity of an entity. These accounts include categories such as assets, liabilities, fund balances, revenues, and expenditures. They do not include budgetary accounts.

Public Enterprise Funds – Accounts where receipts come primarily from sources outside the Government.

Recognize – The recording of financial transactions in the financial records of an entity.

Revenue – An inflow of resources that an entity demands, earns, or receives by donation. Revenue is recognized to the extent that the collection is probable (i.e., more likely than not) and the amount is measurable (i.e., reasonable estimable).

Revenue Source Code – A standard agency-defined code which classifies revenue and receipt transactions by the type or source of revenue.

Revolving Fund – A fund established by Congress to finance a cycle of business operations through fees charged for goods or services provided.

Special Fund Accounts – Federal funds earmarked by law for a specific purpose.

Special Fund Receipt Account – A receipt account credited with collections that are earmarked by law but included in the Federal funds group rather than classified as trust fund collections. These collections are presented in the President's budget as either Governmental (budget) receipts or offsetting receipts.

Special Fund Expenditure Account – An appropriation account established to record appropriations, obligations and outlays financed by the proceeds of special fund receipts.

Trust Funds – A type of account, designated by law as a trust fund, for receipts and/or offsetting receipts dedicated for specific purposes and for the expenditure of these receipts. Trust funds do not involve a fiduciary relationship with an individual or group but are designated exclusively for a specific activity, benefit, or purpose.

Trust Revolving Funds – A fund used to record the appropriation and expenditure of collections used to carry out a type of business operations in accordance with a statute that designates the fund as a trust fund.

0104 Roles and Responsibilities

Assistant Secretaries, Under Secretaries, Other Key Officials, and Chief Financial Officers are responsible for ensuring compliance with the policies set forth in this chapter. Specific responsibilities include the direction, implementation, and management of policy guidance, and oversight of VA's financial management personnel, activities, and operations.

0105 Policies

010501 General Policies

- A. VA will classify, recognize and record revenues in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 7 and Office of Management and Budget (OMB) Circular A-11, Preparation, Submission and Execution of the Budget.
- B. VA will appropriately record, track, and report funds (e.g., public enterprise, special, or trust funds) from dedicated collections in compliance with SFFAS 27, Identifying and Reporting Funds from Dedicated Collections, and SFFAS 43, Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds. For additional information, refer to VA Financial Policy, Volume II, Chapter 2F – Funds from Dedicated Collections.
- C. VA will adhere to 38 C.F.R. § 17.101 and will be responsible to bill and collect revenue from the Veteran's third-party health insurance if the treatment is not for a service-connected disability.
- D. To properly track revenue sources, VA will maintain a revenue system, inclusive of revenue source codes, that will provide the capability to trace transactions from their initial source through all stages of related system processing. VA's revenue source code categories include, but are not limited to, medical services, administrative services, donations, rental income, enhanced-use leasing, recycling, and waste reduction programs. For additional information on revenue source codes, refer to VA Financial Policy Volume II, Chapter 1 – VA's Accounting Classification Structure.
- E. VA will record revenues in accordance with Treasury's U.S. Standard General Ledger (USSGL) using budgetary and proprietary accounts.
- F. VA will ensure internal controls are operating effectively to bill and collect revenue in a reasonable timeframe.

010502 Revenue Classification

VA will recognize revenue in one of the two classifications listed below:

1. **Exchange Revenue** – Amounts earned from fees charged for services provided or the sale of goods. Exchange revenue includes transactions with the public and intragovernmental transactions in which the price is fully or partially reimbursed for the cost incurred. Some examples of exchange revenue earned by VA are listed below:
 - Medical Revenue – Receipts from third party insurance companies for non-service connected care provided or funded by a VA facility and applicable Veteran copayments;
 - Insurance Revenue – Receipts from insurance policy premiums paid by policyholders;

- Leases – Leases of lodges at cemeteries to not-for-profit groups, for historic preservation and for office space at no cost. The groups are required to provide the upkeep and pay any costs associated with lodges;
 - Interest on Treasury Securities - As an example, VBA receives insurance premiums from Veterans and the premiums are invested in Treasury Bills. This is an exchange transaction. Interest is earned on the investments and reinvested. In accordance with SFFAS 7, interest earned should have the same classification as the predominant source of the investment balances. Therefore, all interest earned from these investments is classified as exchange revenue, since the predominant source of the interest earned is from an exchange transaction; and
 - Interest on Uninvested Funds by Direct Loan and Guaranteed Loan Financing Accounts - Interest received is predominantly earned through exchange transactions with Treasury and is an offset to the cost of operations. For example, a guaranteed loan financing account holds uninvested balances as reserves against its loan guarantee liabilities. The reserve balances earn interest. This interest adds resources to the guaranteed loan financing account as a source to pay the loan guarantee liabilities.
2. **Non-Exchange Revenue** – Receipts from items such as fines, penalties, and donations. Donations can be in the form of cash, securities, or tangible assets (i.e., land or buildings). Examples of non-exchange revenue are listed below:
- Penalty – Receipts from loan policy holders due to court ordered judgments to reimburse VA for expenses;
 - Interest on Debts; and
 - Interest on Treasury Securities – In accordance with SFFAS 7, interest should have the same classification as the predominant source of the invested balances; if the source of the invested balances is predominantly from non-exchange revenue sources then the interest earned is non-exchange revenue.

010503 Recognition of Revenue

- A. VA will recognize exchange revenues when earned, regardless of when payment is received.
- B. VA will recognize non-exchange revenues when a specifically identifiable, legally enforceable claim to cash or other assets arises.
- C. VA will recognize revenue from donations in the amount of the financial resource received or in the case of a non-financial resource, at the estimated fair market value of the contribution based on the recognition criteria for assets, with the exception of Federal mission PP&E, heritage assets, and stewardship land, for which no amount is recognized if it is received as a donation. Refer to SFFAS 6, Accounting for

Property, Plant, and Equipment, SFFAS 7, VA Financial Policy Volume V, Chapter 9 – General Property, Plant, and Equipment and VA Financial Policy Volume V, Chapter 14 – Heritage Assets and Land Stewardship for more information.

010504 Recognition of Gain or Loss

- A. VA will disclose gains and losses from changes in long-term assumptions used to measure liabilities for Federal civilian pensions and other postemployment benefits (OPEB) in accordance with SFFAS 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation.
- B. VA will adhere to SFFAS 7 and recognize a gain or loss when a transaction with the public or another Government entity is unusual or nonrecurring. A gain or loss should be recognized rather than revenue or expense.
- C. VA will recognize gains and losses on disposal of assets in accordance with SFFAS 6, SFFAS 7 and SFFAS 29, Heritage Assets and Stewardship Land. If the sales price of the asset is more than book value, the difference is recorded as a gain rather than revenue since the sales of assets are unusual and non-recurring transactions. Refer to VA Financial Policy Volume V, Chapter 9 – General Property, Plant, and Equipment, and VA Financial Policy Volume V, Chapter 14 – Heritage Assets and Stewardship Land.
- D. VA will recognize gains and losses from retirement of debt securities prior to maturity. If VA retires debt securities held by trust funds, special funds, trust revolving funds, and revolving funds before maturity, and they have a call feature or they are eligible for redemption by the holder on demand, VA will record a gain when the selling price is greater than the net book value.
 - a. The gain should be accounted for as a non-exchange gain if the predominant source of interest on the associated debt securities is classified as non-exchange revenue, which is normally the case for trust funds and special funds.
 - b. The gain should be accounted for as an exchange gain if the predominant source of interest on the associated debt securities is classified as exchange revenue, which is normally the case for revolving funds and trust revolving funds.

010505 Imputed Financing Sources

- A. VA will recognize and report imputed financing sources, in accordance with Statement of Federal Financial Accounting Concept (SFFAC) 2, Entity and Display, SFFAS 4, Managerial Cost Accounting Standards and Concepts and SFFAS 53, Budget and Accrual Reconciliation.
- B. VA as the receiving entity should recognize an imputed financing source of the difference between the actual payment (if any) and the full cost.
- C. VA will recognize the following two types of imputed financing sources:
 - 1. Amounts equal to the costs that have been incurred by the reporting entity but financed by another entity (e.g., retirement costs);
 - 2. Amounts representing costs that are attributable to the reporting entity's activities but that do not require a direct out-of-pocket payment. For example, VA is only required to reimburse the Judgment Fund for No Fear Act and Contract Dispute Act cases. All other amounts paid by the Judgment Fund on VA's behalf are not reimbursed by VA. The portion VA does not reimburse is imputed financing for reporting purposes. Refer to U.S. Department of Treasury, Bureau of Fiscal Service – Payments: Judgment Fund for more information.
- D. VA will recognize imputed financing only to the level of imputed costs to ensure that it does not reduce the entity's operating results and net position. The imputed financing equals the amount of imputed cost and is recognized as another financing source.

010506 Presentation and Disclosure of Revenue and Imputed Financing Sources

- A. VA will report revenue in the financial statements in accordance with OMB Circular A-136. Refer to Section II.4.1, Instructions for the financial statements.
- B. VA will distinguish between exchange and non-exchange revenue for intragovernmental transactions on the AFR. In addition, VA will expand on the type of exchange and non-exchange revenue incurred in the year using Notes to the Financial Statements.
- C. VA will eliminate intra-departmental revenue at the end of the period in accordance with OMB Circular A-136.
- D. In accordance with SFFAS 53, VA will include, in a financial statement note disclosure, a reconciliation between budgetary net outlays and proprietary net cost of operations during the reporting period.

- E. VA will be responsible to report gains and losses from changes in long-term assumptions used to measure liabilities for Federal civilian pensions and OPEB, including Veterans' Benefits (e.g., Compensation, Burial, Education, and Insurance) as a separate line item or line items on statement of net cost in accordance with SFFAS 33.
- F. VA will report donations and forfeitures of property under other financing sources (non-exchange) on the statement of changes in net position (SCNP).
- G. Any portion of exchange revenue that cannot be retained by the entity should be reported as a transfer-out on the SCNP. The Department must have specific legislation or an appropriation that authorizes the retention of a particular revenue.
- H. Non-exchange revenue and other financing sources, including appropriations, and net cost of operations for funds from dedicated collections should be shown separately on the SCNP in accordance with SFFAS 43 and SFFAS 27, as amended by SFFAS 43. Refer to VA Financial Policy Volume II, Chapter 1 – Financial Statement Reporting for additional information.

0106 Authorities and References

[38 C.F.R. § 17.101, Collection or recovery by VA for medical care or services provided or furnished to a veteran for a nonservice- connected disability](#)

[FASAB Handbook by Chapter](#)

FASAB Technical Release 8, Clarification of Standards Relating to Inter-Entity Costs
FASAB Technical Bulletin 2002-2: Disclosures Required by Paragraph 79 (g) of SFFAS 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting
FASAB Technical Bulletin 2017-1: Intragovernmental Exchange Transactions
SFFAC 2, Entity and Display
SFFAS 4, Managerial Cost Accounting Standards and Concepts
SFFAS 6, Accounting for Property, Plant, and Equipment
SFFAS 7, Accounting for Revenue and Other Financial Sources
SFFAS 21, Reporting Corrections of Errors and Changes in Accounting Principles
SFFAS 27, Identifying and Reporting Funds from Dedicated as amended by SFFAS 43
SFFAS 29, Heritage Assets and Stewardship Land
SFFAS 30, Inter-Entity Cost Implementation, Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts
SFFAS 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation
SFFAS 43, Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds

SFFAS 53, Budget and Accrual Reconciliation

[Government Performance and Results Act \(GPRA\)](#)

[OMB Circulars](#)

OMB Circular A-11, Preparation, Submission, and Execution of the Budget

OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

OMB Circular A-136, Financial Reporting Requirements

[United States Standard General Ledger \(USSGL\)](#)

[U.S. Department of Treasury, Bureau of Fiscal Service – Payments: Judgment Fund](#)

[VA's Agency Financial Report](#)

[Office of Financial Policy Publication](#)

VA Financial Policy Volume I, Chapter 5 – Management's Responsibility for Internal Controls

VA Financial Policy Volume II, Chapter 1 – VA's Accounting Classification Structure

VA Financial Policy Volume II, Chapter 2F – Funds From Dedicated Collections

VA Financial Policy Volume V, Chapter 9 – General Property, Plant, and Equipment

VA Financial Policy Volume V, Chapter 14 – Heritage Assets and Stewardship Land

VA Financial Policy Volume VII, Chapter 1 – Financial Statement Reporting

0107 Rescissions

Volume IV – Chapter 1, Revenues, October 2011

Volume IV – Chapter 1, Revenues and Imputed Financing Sources, Appendix A, March 2018

0108 Questions

Questions concerning these financial policies should be directed to the following points of contacts.

VHA

FSC

VBA

VBA

NCA

All Others

VHA Financial Policy (Outlook)

VAFSC Nationwide Accounting (Outlook)

VAVBAWAS/CO/FINREP (Outlook)

VAVBAWAS/CO/OPERATIONS (Outlook)

NCA Financial Policy Group (Outlook)

OFP Accounting Policy (Outlook)